

## Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-06 NSC-05 RSC-01

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 COME-00

L-02 H-02 CIAE-00 FRB-01 INR-07 NSAE-00 XMB-04

OPIC-06 LAB-03 SIL-01 USIE-00 ABF-01 FSE-00 AGR-10

FEA-01 DODE-00 PA-02 PRS-01 SSO-00 NSCE-00 INRE-00

TAR-01 HUD-02 IGA-01 ( ISO ) W  
----- 058796

O 101315Z NOV 74 ZFF4  
FM AMEMBASSY TEL AVIV  
TO SECSTATE WASHDC IMMEDIATE 4514

UNCLASSIFIED TEL AVIV 6424

E.O. 11652: N/A

TAGS: ECON, EFIN, IS

SUBJ: ISRAEL DEVALUES AS PART OF MAJOR AUSTERITY PROGRAM

REF: TEL AVIV 6009

1. GOI ANNOUNCED NOV. 10 MAJOR NEW ECONOMIC AUSTERITY PROGRAM DESIGN  
ED  
TO IMPROVE TRADE BALANCE AND DECREASE BUDGETARY DEFICIT. WHILE ALL  
DETAILS NOT YET AVAILABLE, MAJOR PROVISIONS INCLUDE:

A. DEVALUATION ISRAELI POUND (IL) FROM 4.2 TO 6, RPT. SIX PER  
DOLLAR, A 42.9 PERCENT REDUCTION.

B. DECREASE GOI SUBSIDIES BASIC COMMODITIES, THUS SHARPLY IN-  
CREASING CONTROLLED PRICES OF MOST BASIC FOODSTUFFS.

C. INCREASE FUEL PRICES, E.G. 94 OCTANE GASOLINE FROM 1.7 TO  
2.8 ISRAELI POUNDS PER LITER, EQUIVALENT TO OVER TWO DOLLARS PER  
GALLON.

D. INCREASE IN TRAVEL TAX FROM 600 TO 750 ISRAELI POUNDS AND  
FROM 10 TO 15 PERCENT PRICE ROUND TRIP TICKET.

E. EXTENSION OF NATIONAL WAGE AGREEMENT FOR ONE YEAR.

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F. PROHIBITION OF SOME 30 LUXURY IMPORTS, INCLUDING AUTOMOBILES,

FOR SIX MONTHS.

G. REDUCTION BASIC IMPORT LEVY FROM 35 TO 15 PERCENT.

H. CONTINUATION OF BUILDING CONSTRUCTION FREEZE FOR ONE YEAR  
AND CREDIT FREEZE FOR SIX MONTHS.

I. REDUCTION OF ONE-HALF TO ONE BILLION ISRAELI POUNDS IN THIS  
YEAR'S GOI BUDGET.

J. VARYING MONTHLY INCOME PAYMENTS TO LOWER INCOME GROUPS AS  
COMPENSATION FOR INCREASE COSTS BASIC COMMODITIES.

K. INCREASE IN UTILITY RATES.

2. FINANCE MINISTER RABINOWITZ QUOTED AS SAYING THESE MEASURES  
DESIGNED TO MOP UP IL SIX MILLION IN PURCHASING POWER AND SAVE \$700  
MILLION ANNUALLY IN FOREIGN EXCHANGE. HE ALSO ESTIMATED THAT  
MEASURES MAY RESULT IN IMMEDIATE 17 PERCENT INCREASE  
IN COST OF LIVING. PRIME MINISTER RABIN TOLD KIBBUTZ GATHERING  
LAST FRIDAY THAT QUOTE THERE IS NO ESCAPE FROM PAINFUL, EVEN VERY  
PAINFUL, SURGERY TO CURE THE ILLS AND SHORTCOMINGS THAT HAVE  
DEVELOPED IN OUR ECONOMY. END QUOTE. BOTH PRIME MINISTER AND  
FINANCE MINISTER WILL EXPLAIN NEW ECONOMIC PROGRAM TO COUNTRY ON  
TELEVISION TONIGHT.

3. GOI PROPOSES TO PAY COST OF LIVING ALLOWANCES NEXT JANUARY,  
JULY, AND FOLLOWING JANUARY AND TO ELIMINATE EFFECTS DEVALUATION  
AND TAX INCREASES FROM COST OF LIVING ALLOWANCE. HOWEVER, ISSUE  
REMAINS TO BE DISCUSSED BETWEEN GOI AND HISTADRUT. DEGREE OF  
COOPERATION OF HISTADRUT AND, IN PARTICULAR, WHETHER OR NOT LABOR CAN  
BE PERSUADED TO ACCEPT QUOTE NEUTRALIZATION UNQUOTE OF IMPACT  
OF DEVALUATION AND TAX INCREASES ON COST OF LIVING ALLOWANCE, IS  
NOT CLEAR. FURTHER DETAILS AND ANALYSIS WILL BE FORWARDED EARLY IN  
WEEK.

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** DEVALUATIONS, CURRENCIES, ECONOMIC PROGRAMS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 10 NOV 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974TELAV06424  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D740324-0029  
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**Handling Restrictions:** n/a  
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**Office:** ACTION NEA  
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**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
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**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
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**Review Authority:** golinofr  
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**Review Date:** 13 NOV 2002  
**Review Event:**  
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**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ISRAEL DEVALUES AS PART OF MAJOR AUSTERITY PROGRAM  
**TAGS:** ECON, EFIN, IS  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005